



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 11/17/2000

GAIN Report #EI0011

Ireland

Retail Food Sector

2000

Approved by:

Thomas A. Hamby

U.S. Embassy, London

Prepared by:

Mike Hanley

Report Highlights:

With a continuing strong food retail trade and affluent economic conditions, the Irish market offers opportunities for U.S. exporters. The retail sector continues to swing toward quality convenience products. Meanwhile the sector itself has internal competition with the arrival of European chains into the market.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
London [UK1], EI

<i>SECTION I. MARKET SUMMARY</i>	Page 1 of 9
<i>SECTION II. ROAD MAP FOR MARKET ENTRY</i>	Page 3 of 9
Entry Strategy	Page 3 of 9
Market Structure	Page 3 of 9
Company Profiles	Page 4 of 9
<i>SECTION III. COMPETITION</i>	Page 6 of 9
<i>SECTION IV. BEST PRODUCT PROSPECTS</i>	Page 7 of 9
A. Products Present in the Market which have Good Sales Potential	Page 7 of 9
B. Products Not Present in Significant Quantities but Which have Good Sales Potential	Page 9 of 9
C. Products Not Present because they face Significant Barriers	Page 9 of 9
<i>SECTION V. POST CONTACT AND FURTHER INFORMATION</i>	Page 9 of 9

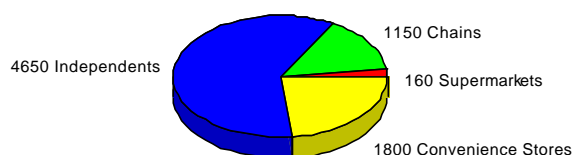
SECTION I. MARKET SUMMARY

Ireland is a small country (comparable in size to West Virginia) with a population of just 3.745 million people. Of this approximately 1.3 million people live in the environs of the capital, Dublin. The next biggest city is Cork with a population of about 170,000. The other main population centers are situated about 70 - 100 miles from Dublin and are mainly on the coast.

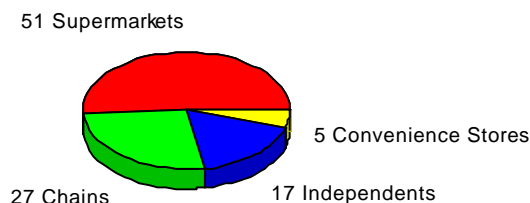
- S Approximately 42 percent of the population is aged less than 24 years.
- S Infra structurally no part of the island is more than 200 miles from Dublin - which serves as the main port of entry for many products. There are good road networks.
- S The present economic climate in Ireland is very good with lowest ever levels of unemployment and low interest rates. Per capita disposable income is about USD 13,750.
- S As a market for consumer ready foods, the Irish market presents excellent opportunities. Well traveled and educated consumers are happy to try new products which offer new tastes and quality. However, price is also a factor so exporters must get the correct combination of price and quality to succeed.
- S Ireland is part of the "Euro-zone" and the euro becomes the official currency in 2002.
- S Like its nearest neighbor, the UK, there is no language barrier as English is the main language. Exporters must however be aware that while there are similar type consumers in Ireland and the UK there are taste differences between both markets. The UK is not a Euro-zone member.
- S It is estimated that the total value of the retail market in 1999 was about USD 9.4 billion.
- S Overall retail sales are estimated to have increased by eight percent in 1999.
- S This market is dominated by three supermarket groups: Dunnes, Tesco and Superquinn.

1999	Number of stores	Share of sales
Supermarkets	160	51.0
Chains	1,150	27.0
Independents	4,650	17.0
Convenience Stores	1,800	5.0

Breakdown of Store Numbers



Percentage of Retail Sales



In the past three years most of the Supermarket retailers, chains and independent stores have diversified sales to include ready-to-eat and hot take-out foods. Many local "chain" outlets also offer hot take-out food to boost early morning and lunchtime sales. One supermarket chain (Superquinn) has diversified into in-store banking.

In late 1999, two German supermarket chains, ALDI and LIDL, began opening stores in Ireland. Combined they have commenced operations at 20 sites throughout the country. LIDL claim that it will eventually open a total of 80 stores but this seems to be a very optimistic target. These stores base their competitiveness on cheaper prices offering unknown (to the Irish consumer) brand named products.

Loyalty cards have become popular in all the supermarket chains.

Advantages/Opportunities	Challenges
There is an awareness of U.S. foods from tourism travel to the U.S.	Exporters can build on this but be aware of keen competition for shelf space from other EU countries
Irish consumers consider U.S. products as high quality and value for money	Continue to give the consumer what it wants at a good price
Niche markets for "non-GMO" foods	
The growing retail market is looking for new products for affluent consumers	Maintain the profile of U.S. as the first source of such products
Small market size - often a test market for the UK	Exporters should try a tandem marketing effort in conjunction with exports to the UK

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Irish retailers know what they want and travel extensively to trade shows throughout the world sourcing new products. Retailers generally use an importer to handle their imported product requirements. Many of the multiple stores monitor developments in retail markets in other countries and often source new product lines themselves. The actual purchase and logistics of importing would then be handed over to known importers/distributors.

Contact with the main supermarket chains should be made in the first instance by mail or email. Contact details can be supplied by the Office of Agricultural Affairs in Dublin (see Section V).

Market Structure

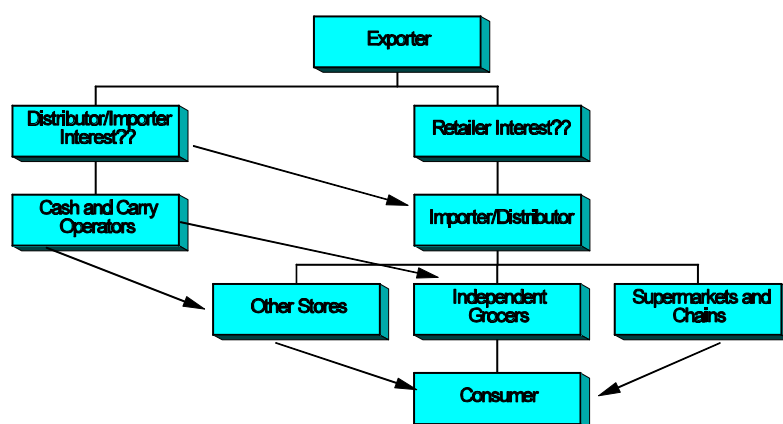
Grocery retailing in Ireland has for years been structured around a major (multiple) supermarket in the nearest main town or city with smaller supermarkets and stores in towns, villages and neighborhoods. That structure is undergoing a rapid change at present.

Three quarters of the retail market is controlled by supermarkets and chains and with further consolidation this is increasing annually. The chains are mainly independently owned stores which operate under a franchise group name. Within these chains there are three main types of stores, those which operate like supermarkets, that is, have trolley facilities; those with longer opening hours but much less product lines stocked; and convenience stores. These stores all buy from a central purchaser which also provides distribution facilities.

Independently owned grocery stores (Mom and Pop) purchase product lines from cash and carry outlets (wholesalers).

Finally Gas Mart chains are becoming very popular in Ireland. The outlets, many of which operate under franchise, offer a limited product range at a slightly more expensive price with

The Road to the Consumer



longer opening hours. These chains are now also offering hot-food takeout facilities to customers. These outlets tend to be more popular in higher population areas.

Company Profiles

Retailer Name and Outlet type	Ownership	Sales (\$ mil)	No. of Outlets	Locations	Purchasing Agent Type
Tesco, SM	UK	1,436	76	Countrywide	Direct/Importer
Dunnes, SM	Local	1,050	60	Countrywide	Direct/Importer
Superquinn, SM	Local	470	18	East coast	Importer
Musgrave, Chain	Local	1,100	476	Countrywide	Direct/Importer
BWG, Chain	Local	430	351	Countrywide	Direct/Importer
Mace, Chain	Local	n.a.	205	Countrywide	Direct/Importer
ADM Londis	Local	n.a.	130	Countrywide	Direct/Importer

SM: Supermarket group

Above data is the latest available (1999) or estimated.

Tesco Ireland

Irish subsidiary of Tesco UK. Tesco purchased the Quinnsworth, Crazy Prices and Bloomfields from Associated British Foods in 1997. The stores are being re-branded as Tesco but there has been a concerted effort to conserve the Irish nature of the business. The stores are situated in all centers of population and Tesco also trades in Northern Ireland.

Larger stores stock 20,000 products, average size stores stock between 10,000 - 15,000 products. Buying negotiations are negotiated through head office in Dublin and the UK while orders are placed by individual stores for direct delivery. Tesco (UK) gave commitments to the Irish government, on purchasing the Quinnsworth/Crazy Price businesses, to maintain a certain level of purchasing from Irish suppliers.

Dunnes Stores

Privately owned Irish chain which operates predominately in the Republic of Ireland but it also own stores in Northern Ireland, UK and Spain. Dunnes has stores situated in all major centers of population. Dunnes Stores also retails clothing but has now a significant proportion of its sales are from food and grocery. Its own label brand, St. Bernard (500 food products), is mainly aimed at the lower end of the market.

Buying negotiations are negotiated through head office in Dublin.

Superquinn

An Irish owned chain, until now only operating on the east coast of Ireland, is slowly expanding its geographical coverage with plans to open stores in the south and west. The market leader for innovation in Irish supermarket sales. Superquinn was first to develop in-store pizzas, in-store bakeries, ready-to-eat hot meals and loyalty cards. Its mission statement is to be a world class company renowned for excellence in fresh food and customer service. Stocks about 15,000 products (excluding fresh food).

Buying negotiations are carried out through head office.

Musgrave

A wholesale group which owns the franchises to the Supervalu group of almost 165 supermarkets (approx size 6,000 sq. feet) and the Centra group of over 275 outlets (approx size 2,000 - 2,500 sq. feet). The franchise stores are independently owned by the retailers who operate them. SuperValu has 165 supermarkets, Centra 25 supermarkets, Centra Food markets 206 convenience stores and Centra Quickstop 44 outlets. Musgrave also operates eight cash and carry outlets and reportedly accounts for about 20 percent of grocery retail sales in Ireland.

Buying negotiations are carried out through head office.

BWG

Somewhat like Musgrave. Operates 31 cash and carry outlets as well as owning the franchise

for the chains Spar and Mace (320 outlets).

Mace

Part of the Mace franchise is independently owned by A.N.D. Operates 205 outlets which are independently owned and operated.

ADM/Londis

A wholesaler as well as supplier to 130 retailers who are joint owners of ADM Londis.

ALDI and LIDL

German supermarket chains with 20 outlets in total at present. Ambitious plans by LIDL to eventually open 80 stores. Buying mainly by central buyers based in Germany and UK.

National Wholesale Ltd.

This is a wholesale buying group with 36 members (cash and carry) located throughout the country. The members serve both catering and retail outlets.

SECTION III. COMPETITION

- S** Ireland is a food producing country and is heavily dependent on exports because of its small population. Being a temperate climate however leaves Ireland deficient in many products which it must import.
- S** As a member of the EU, the easier accessibility of "foreign foods" has led to the creation of a sizeable market for imported food products within the retail trade.
- S** Foods, fresh and processed, from all EU member states are now widely available to the Irish public, replacing a market which had once been predominately supplied by UK food companies.
- S** French wines, cold meats and cheese, UK branded frozen and canned foods, and Danish high quality canned and frozen seafood have gained strong import penetration.
- S** French use of high quality image promotions has been very effective, while strong brand marketing of competitively priced frozen and canned foods from the UK has replaced some Irish products.
- S** Fruit and vegetables from southern EU states are readily available in retail stores from large supermarkets to small corner shops.
- S** Irish producers have, in recent years, come under increased price pressure from competitors who have the volume throughput and lower overall costs. However, despite this pressure, the Irish consumer is constantly being made aware of the need to purchase Irish produced foods, where these are available, in order to maintain Irish jobs.
- S** Nevertheless, despite the competition U.S. products have fared well in recent years and have created market niches because of demand.
- S** U.S. wines now hold a 12 percent market share of a growing wine market. This is despite competition from other EU countries and the "New World".

SECTION IV. BEST PRODUCT PROSPECTS

A. Products Present in the Market which have Good Sales Potential

Breakfast cereals

Trade sources currently value the sector at about USD 130 million at retail level. There are opportunities to diversify into more value-added products. Main competition comes from Irish and EU suppliers.

The hot breakfast cereal sector is dominated by Irish produced oats-based brands. Main competition comes from a Northern Ireland based cereal producer.

Cookies - in Ireland known as biscuits

This sector is valued at between USD 150 and 170 million at retail level with reportedly a volume of about 30,000 metric tons.

S The market is predominately supplied by Irish and EU producers. An Irish firm, Irish Biscuits, is reported to hold over 50 percent of the market.

S There may be limited possibilities for U.S. style cookies as well as bagels.

Coffee

The total value of the retail market for coffee was about USD 40 million. Ireland is still regarded as a nation of tea drinkers with Irish consumers drinking over four cups of tea every day.

S The main growth area appears to be in the speciality coffee sector with the introduction of products such as instant cappuccino.

Snack foods

Trade sources say that the Irish are the second largest per capita consumers of snack foods in the EU, with a per capita consumption of about 3.5 kg per annum.

S It is believed that further significant growth can be achieved in this sector, which is currently valued at over USD 150 million at retail level.

Fruit and Vegetables

While the bulk of vegetables consumed are of Irish origin, Ireland depends on imports to fill its fruit needs.

S Irish consumers now expect (and get) year-round availability of various fruit and vegetables.

S Most of these fruits are supplied from EU or north African sources. U.S. fruit, including citrus, is often available in the marketplace but it is not (except for apples and pears) commonly marketed as being of U.S. origin.

S Importers tend to supply the market based on price. Strong marketing has ensured that U.S. pears have gained significant market acceptance over some local EU produce.

Fruit Juices

The fruit juice market is valued at about USD 50 million. The most active fruit juice sector is in one-liter packs where competition is strong. There has been strong development of the premium juice market.

Wine

U.S. wine exports to Ireland continue to grow and now hold a twelve percent share of a growing market.

- S** Main competition continues to be from labels from EU countries, Australia and New Zealand. Strong marketing by Chilean and especially South African labels during the past few years resulted in increased market shares for these wines. Wines from other EU countries, particularly France, have lost some market share.
- S** The success of U.S. wines in sustaining such a market share can be attributed to strong marketing by a small number of wines aimed at the popular price bracket. About 80 percent of all wine sales are sold in this bracket which retail at about IRP 5.99 (US\$ 6.60). Note, however, that import and excise duties account for almost half of the retail price at this price level.
- S** Exporting wineries must however be aware that the Irish consumer, faced with a vast availability of wines, is always eager to try something different. Therefore brand loyalty at the lower price bracket is difficult to maintain.

Beers

One of the most notable features and developments in the beer market in recent years has been the continued success of a vast array of imported bottled and canned beers.

- S** A number of U.S. bottled beers continue to maintain the high market profile which they have achieved over the past number of years. The acceptance of these beers, which are targeted at the consumer in the style conscious 18 - 30 age group and sold at premium prices, is all the more remarkable given that the market is dominated by the draft beer sector.
- S** While the beers are sold at premium prices, much of the premium is used to cover costs such as shipping, import duties and advertizing. Beer exporters should note that advertizing, point of sale material and promotional activities are critical in this sector.
- S** Irish beer distributors continue to seek out new brands especially aimed at niche markets. Potential exists for beers from micro breweries to enter this market. Opportunities also exist for low alcohol and non-alcoholic beers.

Sauces and salad dressings (other than mayonnaise)

Sauces is a rapidly growing sector and the retail market is estimated at about USD 40 million. Within the sector there are three distinct sub sectors: pour-over pasta sauces, non-pasta wet sauces, dry sauces.

- S** The pasta sauce sector now accounts for 30 percent of all sales and is currently growing at about 10 percent per annum. Niche market opportunities exist in the sector. This has become clear as consumers are beginning to drift from more traditional pasta sauces to brands which incorporate non-Italian flavors.
- S** Non-pasta wet sauces, which account for just over one quarter of sales, include ethnic style stir-fry sauces. Trade sources expect the market for these sauces will grow in the next few years. It is generally believed that Tex-Mex sauces will have growth potential in the future.
- S** Dry sauces divide into pour-over sauce mixes and casserole mixes. The sector is dominated by three main brands. Price is a factor in the sale of these sauces as they retail at about two-thirds of the price of wet sauces and thereby offer better value to

families.

B. Products Not Present in Significant Quantities but Which have Good Sales Potential

Pet Food

The Irish pet food market is considered by some analysts to be as yet underdeveloped despite the fact that 45 percent of the 1.5 million households own dogs. Many Irish pet owners still feed animals food scraps and less than half of all owners buy pet food.

S The total pet food market is believed to be worth in the region of USD 76 million with dog food accounting for almost two thirds of all sales. Dry dog food has shown substantial growth in the past few years while cat food is also increasing as cat ownership increases.

Fish

An abundance of fresh locally-landed (nowhere in Ireland is further than 60 miles from the sea) varieties of fish ensures that fish consumption continues to increase. Following the beef/BSE scare in March 1996, the fish sector enjoyed some unexpected growth as there was a switch from beef consumption to white meats and fish.

S The most recent estimate of per capita consumption is about 9 kgs per annum. Retail analysts estimate that the retail market for fish was worth about USD 110 million.

C. Products Not Present because they face Significant Barriers

SECTION V. POST CONTACT AND FURTHER INFORMATION

Office of Agricultural Affairs
U.S. Embassy
42 Elgin Road
Ballsbridge
Dublin 4
Ireland

Tel: 011-353-1-668-7122

Fax: 011-353-1-668-7423

Email: agdublin@fas.usda.gov

Homepage: <http://www.fas.usda.gov>